

Third Quarter Earnings Report for Fiscal Year 2018, Ending March 31, 2019 [Japanese Standards] (Consolidated)

Company name:	Ryosan Company, Limited	Stock listing:	First Section, Tokyo Stock Exchange
Securities code:	8140	URL	http://www.ryosan.co.jp
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Scheduled filing date of quarterly earnings report:	February 14, 2019		
Scheduled payment date of dividend:	—		
Supplementary materials for the quarterly financial results:	None		
Investor conference for the quarterly financial results:	None		

(Millions of yen rounded down)

1. Consolidated results for the first three quarters of fiscal year 2018 (April 1, 2018 to December 31, 2018)

(1) Consolidated operating results (Cumulative)

(% change compared with the same period of the previous fiscal year (YoY))

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Three Quarters, Fiscal Year 2018	192,248	1.2	4,330	(11.9)	3,155	(35.3)	2,198	(35.5)
First Three Quarters, Fiscal Year 2017	189,911	19.2	4,916	36.4	4,875	40.8	3,408	43.8

(Note) Comprehensive income

First Three Quarters, Fiscal Year 2018: 1,778 million yen (-62.3%)

First Three Quarters, Fiscal Year 2017: 4,717 million yen (68.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Three Quarters, Fiscal Year 2018	91.69	—
First Three Quarters, Fiscal Year 2017	130.22	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2018	158,469	88,145	55.6	3,762.15
March 31, 2018	162,257	94,331	58.1	3,852.59

(Reference) Shareholders' equity

December 31, 2018: 88,145 million yen

March 31, 2018: 94,331 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	Annual	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2017	—	75.00	—	75.00	150.00
Fiscal Year 2018	—	75.00	—		
Fiscal Year 2018 (Forecast)				75.00	150.00

(Note) Revision of dividend forecasts: None

Fiscal Year 2017 Interim dividend breakdown: 50 yen (ordinary), 25 yen (special)

Fiscal Year 2017 Year-end dividend breakdown: 50 yen (ordinary), 25 yen (special)

Fiscal Year 2018 Interim dividend breakdown: 50 yen (ordinary), 25 yen (special)

Fiscal Year 2018 Year-end dividend breakdown (forecast): 50 yen (ordinary), 25 yen (special) or more

3. Forecast of results for the fiscal year 2018 (April 1, 2018 to March 31, 2019)

(% figures represent year-on-year increase or decrease)

Full Fiscal Year	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	254,000	(0.0)	5,600	(1.2)	4,000	(37.5)	2,800	(37.5)	117.21

(Note) Revision of financial results forecasts: None

* Notes

(1) Transfer of major subsidiaries during the scope of consolidation of these nine months ended December 31, 2018 (transfer of specified subsidiaries in line with changes in the consolidated range): None

New: — (Company name:) Excluded: — (Company name:)

(2) Application of accounting procedures specific to preparing quarterly financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and restatements

1) Changes in accordance with revisions to accounting standards and related practices of accounting principles: None

2) Changes in items of accounting principles other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued and outstanding (common shares)

1. Total number of shares issued and outstanding (including treasury shares) at the period-end:

December 31, 2018	25,000,000 shares	March 31, 2018	28,500,000 shares
December 31, 2018	1,570,311 shares	March 31, 2018	4,014,862 shares
First Three Quarters, Fiscal Year 2018	23,981,920 shares	First Three Quarters, Fiscal Year 2017	26,174,456 shares

2. Total number of treasury shares at the period-end:

3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)

This quarterly consolidated earnings report is not subject to the quarterly review by certified public accountants or auditing corporations.

Caution with respect to forward-looking statements

(Notes on forward-looking statements)

The estimates referred in this report are based on the information available as of the date of this release. Ryosan Company Limited (Ryosan) does not promise the realization of the estimates in this report. The actual results may significantly differ from the estimates due to a variety of factors. For details on the conditions that form the assumptions used for earnings forecasts and notes on using earnings forecasts, please refer to appendix page 3, "1. Qualitative Information Regarding this Quarterly Statement (3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions."

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1. Qualitative Information Regarding this Quarterly Statement

(1) Qualitative Information Concerning Consolidated Operating Results

1) Overview

During this consolidated nine-month period (April 1, 2018 to December 31, 2018), the global economy maintained modest growth overall, despite increased uncertainties including the trade frictions between the United States and China, slowing of the Chinese economy, and higher volatility in the stock and foreign exchange markets.

The Japanese economy was affected by these factors, but expanded moderately, supported by increased consumer spending coming from improved employment rates and wages, as well as steady domestic demand from capital expenditure and public investment.

The electronics industry had been solid until the fall of 2018. However, uncertainties over the future course of the industry have emerged, such as a recent decrease in demand mainly for industrial equipment and in-vehicle electrical equipment. Ryosan recently issued its 10th Medium-Term Business Plan (FY2018 to FY2020) with “growth” and “speed” defined as its fundamental stance, to quickly respond to changes in the management environment and to promote electronics system coordination. We are aiming to achieve sustainable growth in line with the Plan.

Ryosan will pursue three different strategies to achieve this objective: the "growth strategy" will strengthen its revenue stream and reconstruct its business portfolio, the "capital strategy" will strive for ROE improvements, and the "infrastructure strategy" will institute qualitative enhancement of corporate governance and strengthen the management infrastructure, both of which are indispensable in securing continuous growth.

In the midst of these circumstances, due to factors such as the consolidation of Hong Kong's Edal Electronics Co., Ltd. ("Edal") as a subsidiary in this fiscal year following its acquisition in 2017, net sales in this nine-month consolidation period were 192,248 million yen (up 1.2% from the same period of the previous fiscal year) and operating income was 4,330 million yen (down 11.9%). As a result of the revaluation of liabilities denominated in foreign currencies, ordinary income was 3,155 million yen (down 35.3%) and profit attributable to owners of parent was 2,198 million yen (down 35.5%).

2) Business Segment Information

a. Semiconductors

Ryosan sells system LSIs, discrete semiconductors and memory, and develops system LSIs on a contract basis. In this nine-month consolidation period, due to the consolidation of Edal and inventory revaluations, net sales were 115,116 million yen (up 4.7% from the same period of the previous fiscal year), and operating income was 2,155 million yen (down 16.4%).

b. Electronic Components

Ryosan sells electromechanical components, display devices and power supplies. In the nine-month consolidation period, a slowdown in businesses for consumers was partially offset by increased transactions in high-value-added parts. Net sales were 59,836 million yen (down 2.7% from the same period of the previous fiscal year), while operating income was 2,233 million yen (up 2.8%).

c. Electronic Equipment

Ryosan sells systems equipment and facilities equipment. In this nine-month consolidation period, due to factors such as the end of large-scale business projects, net sales were 17,295 million yen (down 6.5% from the same period of the previous fiscal year), and operating income was 273 million yen (down 29.2%).

(2) Qualitative Information Concerning Consolidated Financial Position

As of December 31, 2018, total assets decreased by 3,787 million yen compared with the end of the previous fiscal year, to 158,469 million yen.

Also, net assets decreased by 6,185 million yen compared with the end of the previous fiscal year, to 88,145 million yen, with the ratio of net assets to total assets being 55.6%.

(3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions

There is no change in forecasts for the full fiscal year ending March 31, 2019 (announced on October 24, 2018).

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2018 (As of March 31, 2018)	Third Quarter of the Fiscal Year Ending March 31, 2019 (As of December 31, 2018)
ASSETS		
Current assets		
Cash and deposits	13,547	16,112
Notes and accounts receivable - trade	75,538	66,573
Inventories	44,015	50,099
Accounts receivable - other	10,249	7,916
Other	242	503
Allowance for doubtful accounts	(42)	(71)
Total current assets	143,550	141,134
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,168	3,097
Land	6,189	6,145
Leased assets, net	576	572
Other, net	155	143
Total property, plant and equipment	10,090	9,959
Intangible assets	903	1,349
Investments and other assets		
Investment securities	5,310	3,609
Deferred tax assets	296	302
Other	2,238	2,229
Allowance for doubtful accounts	(132)	(115)
Total investments and other assets	7,713	6,025
Total non-current assets	18,707	17,334
Total assets	162,257	158,469

(Millions of yen)

	Fiscal Year Ended March 31, 2018 (As of March 31, 2018)	Third Quarter of the Fiscal Year Ending March 31, 2019 (As of December 31, 2018)
LIABILITIES		
Current liabilities		
Accounts payable - trade	36,355	36,295
Short-term loans payable	23,959	28,265
Lease obligations	164	172
Accounts payable - other	1,714	1,365
Accrued expenses	1,362	594
Income taxes payable	1,598	298
Provision for bonuses	-	433
Other	183	387
Total current liabilities	65,337	67,810
Non-current liabilities		
Lease obligations	475	464
Deferred tax liabilities	247	239
Net defined benefit liability	1,782	1,725
Asset retirement obligations	31	31
Other	52	52
Total non-current liabilities	2,589	2,512
Total liabilities	67,926	70,323
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	72,740	56,291
Treasury shares	(17,215)	(6,531)
Total shareholders' equity	92,329	86,564
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,923	1,243
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	52	334
Remeasurements of defined benefit plans	25	3
Total accumulated other comprehensive income	2,001	1,581
Total net assets	94,331	88,145
Total liabilities and net assets	162,257	158,469

(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income
(Consolidated Quarterly Statement of Income)
(Scope of Consolidation of these First Three Quarters)

(Millions of yen)

	First Three Quarters of the Fiscal Year Ended March 31, 2018 (Apr. 1, 2017 to Dec. 31, 2017)	First Three Quarters of the Fiscal Year Ending March 31, 2019 (Apr. 1, 2018 to Dec. 31, 2018)
Net sales	189,911	192,248
Cost of Sales	174,173	176,286
Gross Profit	15,737	15,962
Selling, general and administrative expenses	10,821	11,631
Operating income	4,916	4,330
Non-operating income		
Interest income	28	17
Dividend income	70	81
Foreign exchange gains	80	-
Rent income	23	35
Miscellaneous income	82	132
Total non-operating income	285	266
Non-operating expenses		
Interest expenses	263	521
Share of loss of entities accounted for using equity method	-	196
Commission for purchase of treasury shares	31	8
Foreign exchange losses	-	703
Miscellaneous loss	30	11
Total non-operating expenses	325	1,440
Ordinary income	4,875	3,155
Extraordinary income		
Gain on sales of non-current assets	65	0
Gain on sales of investment securities	5	44
Total extraordinary income	70	45
Extraordinary losses		
Loss on valuation of golf membership	0	-
Total extraordinary losses	0	-
Profit before income taxes	4,946	3,201
Income taxes	1,537	1,002
Profit	3,408	2,198
Profit attributable to owners of parent	3,408	2,198

(Consolidated Quarterly Statement of Comprehensive Income)

(Scope of Consolidation of these First Three Quarters)

(Millions of yen)

	First Three Quarters of the Fiscal Year Ended March 31, 2018 (Apr. 1, 2017 to Dec. 31, 2017)	First Three Quarters of the Fiscal Year Ending March 31, 2019 (Apr. 1, 2018 to Dec. 31, 2018)
Profit	3,408	2,198
Other comprehensive income		
Valuation difference on available-for-sale securities	680	(680)
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	641	281
Remeasurements of defined benefit plans, net of tax	(13)	(22)
Total other comprehensive income	1,309	(420)
Comprehensive income	4,717	1,778
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,717	1,778

(3) Notes Regarding Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern)

None

(Notes Regarding Substantial Changes in Shareholders' Equity)

Based on a corporate resolution made at the Board Meeting on May 29, 2018, Ryosan retired 3,500,000 treasury shares effective as of June 11, 2018. As a result, retained earnings and treasury shares in this nine-month consolidation period both decreased by 14,941 million yen respectively.

(Additional Information)

Application of "Partial Revisions to 'Accounting Standards for Tax-Effect Accounting'"

Due to changes such as "Partial Revisions to 'Accounting Standards for Tax-Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018) which have been applied as of the beginning of the consolidated first quarter of this fiscal year, deferred tax assets are classified as "investments and other assets" and deferred tax liabilities are classified as "non-current liabilities."

(Segment Information)

I. Information Concerning Sales and Income or Loss Amount by Reporting Segment

The consolidated first three quarters of the fiscal year ended March 31, 2018
(April 1, 2017 to December 31, 2017)

(Millions of yen)

	Reporting Segment				Adjusted amount (Note 1)	Amounts shown on consolidated statement of income (Note 2)
	Semiconductors	Electronic Components	Electronic Equipment	Total		
Net sales						
Sales to external customers	109,928	61,487	18,495	189,911	—	189,911
Internal sales or exchange between segments	—	—	—	—	—	—
Total	109,928	61,487	18,495	189,911	—	189,911
Segment income (loss)	2,578	2,171	387	5,137	(221)	4,916

(Notes)

1. The adjusted amount of minus 221 million yen represents corporate expenses (mainly general and administrative expenses) which are not allocated to the reporting segment.
2. Segment income has been adjusted with operating income in the consolidated quarterly statement of income.

The consolidated first three quarters of the fiscal year ending March 31, 2019
(April 1, 2018 to December 31, 2018)

(Millions of yen)

	Reporting Segment				Adjusted amount (Note 1)	Amounts shown on consolidated statement of income (Note 2)
	Semiconductors	Electronic Components	Electronic Equipment	Total		
Net sales						
Sales to external customers	115,116	59,836	17,295	192,248	—	192,248
Internal sales or exchange between segments	—	—	—	—	—	—
Total	115,116	59,836	17,295	192,248	—	192,248
Segment income (loss)	2,155	2,233	273	4,662	(332)	4,330

(Notes)

1. The adjusted amount of minus 332 million yen represents corporate expenses (mainly general and administrative expenses) which are not allocated to the reporting segment.
2. Segment income has been adjusted with operating income in the consolidated quarterly statement of income.

II. Information Concerning Sales and Income or Loss Amount by Sales Destination
Fiscal Year 2017, first three quarters of the fiscal year ended March 31, 2018
(April 1, 2017 to December 31, 2017)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	115,906	67,489	6,515	189,911	—	189,911
Internal sales or exchange between segments	14,019	113	3	14,136	(14,136)	—
Total	129,926	67,602	6,519	204,048	(14,136)	189,911
Segment income	1,979	2,367	188	4,536	379	4,916

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions covered:
Asia: Hong Kong, Thailand, China, South Korea, etc.
Other: United States, etc.

Fiscal Year 2018, first three quarters of the fiscal year ending March 31, 2019
(April 1, 2018 to December 31, 2018)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	108,239	76,948	7,060	192,248	—	192,248
Internal sales or exchange between segments	15,395	195	0	15,592	(15,592)	—
Total	123,635	77,144	7,060	207,840	(15,592)	192,248
Segment income	1,408	2,274	206	3,889	440	4,330

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions covered:
Asia: Hong Kong, Thailand, China, South Korea, etc.
Other: United States, etc.

III. Information Concerning Sales by Region

Fiscal Year 2017, first three quarters of the fiscal year ended March 31, 2018
(April 1, 2017 to December 31, 2017)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	108,074	42,862	32,364	6,609	189,911
Ratio to consolidated net sales (%)	56.9	22.6	17.0	3.5	100.0

(Note) Net sales are on the basis of customer location and classified by country or region.

Fiscal Year 2018, first three quarters of the fiscal year ending March 31, 2019
(April 1, 2018 to December 31, 2018)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	102,241	48,123	34,768	7,114	192,248
Ratio to consolidated net sales (%)	53.2	25.0	18.1	3.7	100.0

(Note) Net sales are on the basis of customer location and classified by country or region.